

Summarized SIX YEAR OUTLOOK -- September 2004

OFM, 9/24/04

Dollars in Millions

	2004	2005	2006	2007	2008	2009
Beginning Balance General Fund-State (GF-S)+Emergency Reserve Fund (ERF)	405	484	571	(81)	(776)	(1,824)
Expenditures						
Baseline Expenditures (see assumptions)	11,452	11,794	12,084	12,267	12,454	12,627
Pension Contributions (increase over 03-05) - State Actuary Estimate*	0	0	211	229	415	450
Health Care (medical assistance + employee insurance)	0	0	251	536	852	1,206
Higher Education Enrollment Growth -- "keep pace with population growth**	0	0	13	30	48	68
Cost of Living Adjustments: State employees, higher ed., vendors, home health care workers***	0	0	170	332	468	666
TOTAL EXPENDITURES	11,452	11,794	12,729	13,394	14,237	15,017

Revenue	2004	2005	2006	2007	2008	2009
Baseline (not including high tech & aerospace incentives, I-728 phase in)	11,323	11,891	12,337	13,029	13,680	14,364
Money Transfers, Federal Fiscal Relief	208	102	0	0	0	0
K-12 Education - Phase in of I-728 class size reductions	0	0	(85)	(152)	(226)	(249)
Aerospace Industry Incentives	0	(25)	(55)	(48)	(121)	(134)
High tech and rural tax incentives	0	(86)	(120)	(130)	(143)	(158)
TOTAL REVENUE	11,531	11,882	12,077	12,698	13,190	13,824

ENDING BALANCE (GFS+ERF) - Cumulative	484	571	(81)	(776)	(1,824)	(3,017)
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SUMMARY OF POTENTIAL BUDGET GAPS	2004	2005	2006	2007	2008	2009
Potential GF-S Budget Surplus/Deficit (from projected ending balances)	0	0	(81)	(776)	(1,824)	(3,017)
Provision for GF-S Reserve	0	0	(300)	(300)	(300)	(300)
Potential Health Services Account Gap -- Preliminary Estimate	0	0	(5)	(85)	(200)	(335)
TOTAL POTENTIAL GAP	0	0	(386)	(1,161)	(2,324)	(3,652)

COMPARISON OF REVENUES, EXPENDITURES, I-601 SPENDING LIMIT - 2005-07

Projected Revenue - Forecast Council	24,775	
Expenditure Projection -- Maintenance Level - Plus	26,123	
I-601 Spending Limit*	24,583	

12,077	12,698
12,729	13,394
12,118	12,465

*Based on fiscal growth factors (FGF) of 2.75 and 2.86 for FY 06 and FY 07. FGFs are applied to FY '05 appropriation. Does not include possible adjustments for fund shifts.

BASELINE ASSUMPTIONS

Assumes 2003-05 Biennial Budget and 2004 Supplemental Budget

Assumes June 2004 Caseload Council forecasts for '03-'05 and '05-'07

After 05-07, K-12, prisons, TANF, med assist and all other major caseloads grow according to unofficial long term CFC caseload forecasts or OFM cohort population forecasts.

Assumes September 2004 revenue forecast for 03-05 and 05-07

After 05-07, assumes 5% annual revenue growth (average long term growth)

Assumes 11% annual health care cost inflation for medical assistance after '03-'05

Does not include HSA/BHP expenditures and revenues.

NOTES

* Does NOT include pre-funding of future gain sharing benefits. Pre-funding would add \$175m in costs by 2005-07 and \$410 million by 2007-09.

**Maintains current student/faculty-staff ratio. Higher education COLA and health insurance costs are captured elsewhere.

***State employee COLA's based on Fed of State Employees collective bargaining agreement for 2005-07 (3.2%, 1.6%).

Includes salary survey and classification revision costs. Wage gain in FY 2007 removed from the base for 2008 and 2009 calculations.

K-12 teachers and eligible community college personnel are assumed to receive I-732 COLA (1.4%, 1.5%, 1.7%, 2.2%)

Non represented state employees and higher education personnel are assumed to receive same COLA as in collective bargaining agreement

Home health care workers estimate is based on latest employer offer (\$26m for 2005-07)

Vendor COLA is based on Economic and Revenue Forecast Council Seattle CPI forecast.